

Distribution: Hospital 01-15

Issued: August 13, 2001

Subject: Outpatient Hospital Adjustor Pool for FY '00/01

Effective: September 14, 2001

Programs Affected: Medicaid

Section 1701 of P.A. 296 of 2000 directs the Department of Community Health (DCH) to distribute \$14,000,000 in funds to eligible Michigan hospitals in the form of an outpatient hospital adjustor for fiscal year 00/01.

The first pool, in the amount of \$4.7 million, will be distributed to hospitals based on each hospital's Title XIX fee-for-service outpatient hospital charges. The second pool, in the amount of \$9.3 million, will be distributed to hospitals based on each hospital's Title XIX HMO outpatient hospital charges.

To receive funds from either of the pools, a hospital must be open and operating on the date the payment is made. Outpatient hospital data used to calculate the distributions will be drawn from hospital cost reports ending in state fiscal year 1998/99 (between October 1, 1998 and September 30, 1999). Outpatient hospital charges will be limited to those charges eligible for reimbursement under Title XIX. Allowable charges will also include Title XIX psychiatric charges. Charges will be converted to costs using each hospital's outpatient hospital cost to charge ratio. If a hospital's cost to charge ratio is greater than one, then one will be used. Costs will be inflated to a common point in time. Inflation factors will be taken from *Standard and Poor's DRI - Health Care Cost Review - First Quarter 2000*. Hospitals with year ends during a quarter will be inflated using the inflation factor for the quarter in which the hospital's year ends. A hospital's distribution from a pool will be determined by dividing its adjusted costs by the adjusted costs for all eligible hospitals *times* the available funds in the pool.

Hospitals that filed more than a single cost report during the eligibility period for these pools will have their cost report data combined and annualized to allow for only twelve months of combined cost data. Hospitals that merged during the eligibility period will have their distribution payments combined. Payments will be made to the surviving hospital.

Charge data taken from hospital cost reports is subject to review and appeal at the time the cost report is filed. The hospital's outpatient hospital cost to charge ratio is subject to review at rebasing. No further appeal of either the charge data or the outpatient hospital cost to charge ratio, as part of the distribution of funds from these pools, will be allowed.

Aggregate Medicaid reimbursement to Michigan hospitals for outpatient services (including the special indigent pools) will not be allowed to exceed the federally mandated upper payment limit for outpatient services provided to Michigan beneficiaries. To account for varying hospital year end dates, the test will be made based on data taken from hospital fiscal years ending during the same state fiscal year used to do the distribution (e.g. the test for 2000 will use hospital cost report years ending between October 1, 1998 and September 30, 1999). If the test against the upper payment limit finds that the upper payment limit was exceeded, the size of these pools will be reduced proportionately by the amount in excess of the limit.

Inflation factors used to inflate costs to September 30, 2000 are as follows:

<u>Fiscal Year Ending</u>	<u>Inflation Factor</u>
12/31/98	1.083
3/31/99	1.077
6/30/99	1.070
9/30/99	1.064

Fee-For-Service Pool

Distributions from the fee-for-service outpatient hospital adjustor pool will be calculated as follows:

Charges are limited to outpatient hospital charges for provider types 40, 41, and 75.

Hospital Charges = Title XIX FFS outpatient hospital charges

Hospital Costs = Hospital Charges x CC Ratio x Inflation Factor

$$\text{Hospital's Distribution} = \frac{\text{Hospital's Costs}}{\sum \text{Hospital's Costs}} \times \$4,700,000$$

Title XIX = Medicaid fee-for-service charges

CC Ratio = Hospital's outpatient cost- to- charge ratio

Managed Care Pool

To receive funds from the managed care outpatient hospital adjustor pool, a hospital must meet by September 14, 2001, the following criteria:

- If no Medicaid HMO has been authorized by Medicaid to enroll beneficiaries in the county which the hospital is located or in a hospital's service area within the county, the hospital will be allowed to participate in the distribution of funds from this pool.
- If only a single Medicaid HMO has been authorized by Medicaid to enroll beneficiaries in the county which the hospital is located, then the hospital must have a signed agreement with that HMO.
- If two or more Medicaid HMOs have been authorized by Medicaid to enroll beneficiaries in the county which the hospital is located, then the hospital must have a signed agreement with at least two of these HMOs.

At a minimum, agreements must provide for appropriately authorized, medically necessary inpatient hospital, outpatient hospital, emergency and clinical care arranged by a physician with admitting privileges to the facility and credentialed by the HMO.

Distributions from the managed care outpatient hospital adjustor pool will be calculated as follows:

Charges are limited to outpatient hospital charges for provider types 40, 41, and 75.

Hospital Charges = Title XIX HMO outpatient hospital charges
Hospital Costs = Hospital Charges x CC Ratio x Inflation Factor

$$\text{Hospital's Distribution} = \frac{\text{Hospital's Costs}}{\sum \text{Hospital's Costs}} \times \$9,300,000$$

Title XIX = Medicaid

CC Ratio = Hospital's outpatient cost- to- charge ratio

A single distribution of funds from all pools will be made prior to September 30, 2001. A table listing hospitals and tentative distributions from each pool is attached. Should a hospital fail to qualify for a distribution from either pool, its share will not be redistributed.

Manual Update

Manual pages will be updated in the future; **retain this Bulletin.**

Questions

Any questions regarding this bulletin should be directed to: Provider Inquiry, Medical Services Administration, P.O. Box 30479, Lansing, Michigan 48909-7979, or e-mail at ProviderSupport@state.mi.us. When you submit an e-mail, be sure to include your name, affiliation, and a phone number so you may be contacted if necessary. Providers may phone toll free 1-800-292-2550.

Approved

James K. Haveman, Jr.
Director

Robert M. Smedes
Deputy Director for
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This distribution assumes all hospitals have the requisite number of contracts to meet the managed care pool criteria and uses managed care charges converted to costs available to the DCH from hospital cost reports on file for reporting periods ending during State Fiscal Year 1998-1999.

OUTPATIENT HOSPITAL ADJUSTOR

HOSPITAL	Fee-For-Service \$4.7 Million	Managed Care \$9.3 Million	Total \$14.0 Million Distribution
ALLEGAN GENERAL HOSPITAL	\$9,246	\$13,199	\$22,445
ALPENA GENERAL HOSPITAL	\$22,667	\$28,767	\$51,434
AURORA HOSPITAL	\$58,307	\$103,667	\$161,974
BARAGA COUNTY MEMORIAL HOSPITAL	\$6,347	\$5,716	\$12,063
BATTLE CREEK HEALTH SYSTEM	\$62,008	\$0	\$62,008
BAY MEDICAL CENTER	\$40,291	\$83,179	\$123,470
BI-COUNTY COMMUNITY HOSPITAL	\$22,059	\$8,747	\$30,806
BON SECOURS HOSPITAL	\$12,997	\$0	\$12,997
BORGESS MEDICAL CENTER	\$69,634	\$122,976	\$192,609
BOTSFORD GENERAL OSTEOPATHIC HOSPITAL	\$39,888	\$148,275	\$188,163
BRONSON METHODIST HOSPITAL	\$107,003	\$152,979	\$259,982
BRONSON VICKSBURG HOSPITAL	\$2,148	\$1,510	\$3,658
CARO COMMUNITY HOSPITAL	\$6,555	\$0	\$6,555
CARSON CITY OSTEOPATHIC HOSPITAL	\$43,295	\$0	\$43,295
CENTRAL MICHIGAN COMMUNITY HOSPITAL	\$14,742	\$20,319	\$34,561
CHARLEVOIX AREA HOSPITAL	\$7,817	\$0	\$7,817
CHELSEA COMMUNITY HOSPITAL	\$6,455	\$7,038	\$13,493
CHILDREN'S HOSPITAL OF MICHIGAN	\$318,510	\$1,032,959	\$1,351,469
CHIPPEWA COUNTY WAR MEMORIAL HOSPITAL	\$10,115	\$10,317	\$20,432
CLINTON MEMORIAL HOSPITAL	\$4,532	\$0	\$4,532
COMMUNITY HEALTH CENTER	\$45,726	\$0	\$45,726
COMMUNITY HOSPITAL - WATERVLIET	\$9,015	\$26,388	\$35,403
COMMUNITY MEMORIAL HOSPITAL	\$32,422	\$0	\$32,422
COTTAGE HOSPITAL OF GROSSE POINTE	\$5,804	\$0	\$5,804
COVENANT MEDICAL CENTER, INC.	\$69,521	\$109,104	\$178,625
CRITTENTON HOSPITAL	\$6,230	\$1,553	\$7,784
DECKERVILLE COMMUNITY HOSPITAL	\$1,901	\$0	\$1,901
DETROIT RECEIVING HOSPITAL	\$190,771	\$289,523	\$480,294
DETROIT RIVERVIEW HOSPITAL	\$44,692	\$326,319	\$371,011
DICKINSON COUNTY MEMORIAL HOSPITAL	\$23,067	\$0	\$23,067
DOCTOR'S HOSPITAL OF JACKSON	\$8,747	\$0	\$8,747
EATON RAPIDS MEDICAL CENTER	\$3,463	\$0	\$3,463
EDWARD W. SPARROW HOSPITAL	\$144,618	\$180,275	\$324,893
EMMA L. BIXBY MEDICAL CENTER	\$52,001	\$39,647	\$91,648
FORREST VIEW PSYCHIATRIC HOSPITAL	\$539	\$0	\$539
FRANCIS BELL MEMORIAL HOSPITAL	\$9,527	\$0	\$9,527
GARDEN CITY HOSPITAL	\$18,774	\$35,497	\$54,271
GENESYS REGIONAL MEDICAL CENTER	\$51,250	\$227,723	\$278,973
GERBER MEMORIAL HOSPITAL	\$31,774	\$9,901	\$41,675

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OUTPATIENT HOSPITAL ADJUSTOR

HOSPITAL	Fee-For-Service \$4.7 Million	Managed Care \$9.3 Million	Total \$14.0 Million Distribution
GRACE HOSPITAL DIVISION	\$123,195	\$521,432	\$644,627
GRAND VIEW HOSPITAL	\$12,044	\$0	\$12,044
GRATIOT COMMUNITY HOSPITAL	\$37,740	\$15,524	\$53,263
HACKLEY HOSPITAL	\$34,714	\$87,231	\$121,945
HARBOR BEACH COMMUNITY HOSPITAL	\$2,347	\$0	\$2,347
HARBOR OAKS HOSPITAL	\$0	\$0	\$0
HARPER-HUTZEL HOSPITAL	\$180,322	\$634,538	\$814,860
HAVENWYCK HOSPITAL	\$0	\$0	\$0
HAYES-GREEN-BEACH MEMORIAL HOSPITAL	\$6,827	\$6,650	\$13,477
HEALTHSOURCE SAGINAW	\$480	\$0	\$480
HELEN NEWBERRY JOY HOSPITAL	\$7,545	\$0	\$7,545
HENRY FORD HOSPITAL	\$89,870	\$465,873	\$555,744
HENRY FORD WYANDOTTE HOSPITAL	\$30,404	\$0	\$30,404
HERRICK MEMORIAL HOSPITAL, INC.	\$4,433	\$5,337	\$9,769
HILLS & DALES GENERAL HOSPITAL	\$7,678	\$0	\$7,678
HILLSDALE COMMUNITY HEALTH CENTER	\$17,224	\$0	\$17,224
HOLLAND COMMUNITY HOSPITAL	\$34,943	\$22,474	\$57,417
HURLEY MEDICAL CENTER	\$125,960	\$759,761	\$885,721
HURON MEMORIAL HOSPITAL	\$9,429	\$0	\$9,429
HURON VALLEY HOSPITAL	\$9,320	\$15,140	\$24,460
HUTZEL HOSPITAL, DETROIT	\$119,444	\$459,326	\$578,770
INGHAM REGIONAL MEDICAL CENTER	\$26,240	\$70,128	\$96,369
IONIA COUNTY MEMORIAL HOSPITAL	\$9,793	\$0	\$9,793
IRON COUNTY GENERAL HOSPITAL	\$10,456	\$0	\$10,456
KALKASKA MEMORIAL HEALTH CENTER	\$10,446	\$0	\$10,446
KELSEY MEMORIAL HOSPITAL	\$6,462	\$0	\$6,462
KERN HOSPITAL & MEDICAL CENTER	\$2,397	\$0	\$2,397
KEWEENAW MEMORIAL MEDICAL CENTER	\$9,814	\$0	\$9,814
KINGSWOOD PSYCHIATRIC HOSPITAL	\$4,884	\$0	\$4,884
LAKE VIEW COMMUNITY HOSPITAL	\$11,781	\$5,567	\$17,348
LAKELAND MEDICAL CENTER, ST. JOSEPH	\$73,619	\$167,878	\$241,497
LAKESHORE COMMUNITY HOSPITAL	\$7,122	\$0	\$7,122
LAPEER REGIONAL HOSPITAL	\$11,201	\$9,412	\$20,613
LEE MEMORIAL HOSPITAL	\$5,293	\$10,911	\$16,204
LEELANAU MEMORIAL HOSPITAL	\$698	\$0	\$698
MACKINAC STRAITS HOSPITAL	\$0	\$0	\$0
MACOMB HOSPITAL CENTER	\$16,566	\$37,038	\$53,604
MADISON COMMUNITY HOSPITAL	\$2,809	\$0	\$2,809
MARLETTE COMMUNITY HOSPITAL	\$4,637	\$5,435	\$10,072
MARQUETTE GENERAL HOSPITAL	\$33,538	\$0	\$33,538

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MARY FREE BED GUILD	\$12,351	\$0	\$12,351
MCKENZIE MEMORIAL HOSPITAL	\$3,812	\$6,562	\$10,374
MCLAREN REGIONAL MEDICAL CENTER	\$59,088	\$93,168	\$152,256
MCPHERSON HOSPITAL	\$8,296	\$6,129	\$14,424
MECOSTA COUNTY GENERAL HOSPITAL	\$20,173	\$0	\$20,173
MEMORIAL HEALTHCARE CENTER	\$41,155	\$0	\$41,155
MEMORIAL MEDICAL CENTER OF WEST MICHIGAN	\$21,853	\$0	\$21,853
MERCY GENERAL HEALTH PARTNERS	\$55,814	\$26,923	\$82,737
MERCY HOSPITAL, CADILLAC	\$33,960	\$10,345	\$44,304
MERCY HOSPITAL, GRAYLING	\$17,395	\$5,079	\$22,474
MERCY HOSPITAL, PORT HURON	\$13,608	\$14,463	\$28,071
MERCY-MEMORIAL HOSPITAL	\$21,840	\$36,976	\$58,816
METROPOLITAN HOSPITAL	\$38,566	\$135,580	\$174,146
MIDMICHIGAN MEDICAL CENTER - GLADWIN	\$9,398	\$3,726	\$13,124
MIDMICHIGAN REG MED CNTR - MIDLAND	\$45,749	\$1,831	\$47,581
MIDMICHIGAN REG. MED. CNTR - CLARE	\$15,398	\$4,036	\$19,434
MT. CLEMENS GENERAL OSTEOPATHIC HOSPITAL	\$58,961	\$198,840	\$257,801
MUNISING MEMORIAL HOSPITAL	\$1,693	\$0	\$1,693
MUNSON MEDICAL CENTER	\$79,618	\$0	\$79,618
NORTH OAKLAND MEDICAL CENTERS	\$43,803	\$95,133	\$138,936
NORTH OTTAWA COMMUNITY HOSPITAL	\$8,238	\$7,246	\$15,484
NORTHERN MICHIGAN HOSPITALS, INC.	\$23,556	\$0	\$23,556
OAKLAWN HOSPITAL	\$12,520	\$2,154	\$14,675
OAKWOOD HOSPITAL AND MEDICAL CENTER	\$59,338	\$106,437	\$165,775
OAKWOOD HOSPITAL ANNAPOLIS CENTER	\$24,060	\$45,294	\$69,354
OAKWOOD HOSPITAL HERITAGE CENTER	\$32,157	\$45,157	\$77,314
OAKWOOD HOSPITAL SEAWAY CENTER	\$5,701	\$7,454	\$13,155
ONTONOGAN MEMORIAL HOSPITAL	\$4,936	\$0	\$4,936
OTSEGO COUNTY MEMORIAL HOSPITAL	\$15,652	\$0	\$15,652
PAUL OLIVER MEMORIAL HOSPITAL	\$6,466	\$0	\$6,466
PENNOCK HOSPITAL	\$14,561	\$0	\$14,561
PINE REST CHRISTIAN HOSPITAL	\$1,950	\$0	\$1,950
PONTIAC OSTEOPATHIC HOSPITAL	\$22,632	\$105,067	\$127,699
PORT HURON HOSPITAL	\$29,675	\$26,364	\$56,039
PORTAGE HOSPITAL	\$12,778	\$0	\$12,778
PROVIDENCE HOSPITAL AND MEDICAL CENTERS	\$45,187	\$129,723	\$174,910
REHABILITATION INSTITUTE	\$9,153	\$15,675	\$24,828
RIVERSIDE OSTEOPATHIC HOSPITAL	\$13,988	\$11,069	\$25,057
SALINE COMMUNITY HOSPITAL	\$2,001	\$2,310	\$4,311
SCHEURER HOSPITAL	\$5,752	\$11,789	\$17,541

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OUTPATIENT HOSPITAL ADJUSTOR

HOSPITAL	Fee-For-Service \$4.7 Million	Managed Care \$9.3 Million	Total \$14.0 Million Distribution
SCHOOLCRAFT MEMORIAL HOSPITAL	\$11,479	\$0	\$11,479
SHERIDAN COMMUNITY HOSPITAL	\$9,307	\$0	\$9,307
SINAI-GRACE HOSPITAL	\$99,752	\$155,601	\$255,353
SOUTH HAVEN COMMUNITY HOSPITAL	\$7,557	\$14,659	\$22,216
SOUTHWEST MICHIGAN REHAB HOSPITAL	\$2,445	\$0	\$2,445
SPECTRUM HEALTH - DOWNTOWN CAMPUS	\$144,886	\$314,909	\$459,795
SPECTRUM HEALTH - EAST CAMPUS	\$44,833	\$99,844	\$144,677
SPECTRUM HEALTH - KENT COMMUNITY CAMPUS	\$2,300	\$0	\$2,300
SPECTRUM HEALTH - REED CITY CAMPUS	\$16,176	\$0	\$16,176
ST FRANCIS HOSPITAL	\$12,348	\$35,190	\$47,538
ST JOSEPH MERCY HOSPITAL	\$29,298	\$69,941	\$99,239
ST MARYS HEALTH SERVICES	\$49,273	\$76,723	\$125,997
ST. JOHN HEALTH SYSTEM - NE COMMUNITY HOSP.	\$12,884	\$86,410	\$99,295
ST. JOHN HEALTH SYSTEM OAKLAND HOSPITAL	\$14,002	\$55,628	\$69,630
ST. JOHN HOSPITAL - MACOMB CENTER	\$4,379	\$0	\$4,379
ST. JOHN HOSPITAL AND MEDICAL CENTER	\$53,127	\$257,678	\$310,805
ST. JOHN RIVER DISTRICT HOSPITAL	\$8,196	\$10,291	\$18,487
ST. JOSEPH HOSPITAL - EAST	\$14,547	\$7,710	\$22,257
ST. JOSEPH MERCY HOSPITAL - PONTIAC	\$45,752	\$102,490	\$148,242
ST. MARY MERCY HOSPITAL	\$6,018	\$17,735	\$23,753
ST. MARYS MEDICAL CENTER - SAGINAW	\$27,552	\$68,675	\$96,227
STANDISH COMMUNITY HOSPITAL	\$7,548	\$11,072	\$18,620
STRAITH HOSPITAL FOR SPECIAL SURGERY	\$886	\$0	\$886
STURGIS HOSPITAL	\$9,396	\$11,393	\$20,790
TAWAS ST. JOSEPH HOSPITAL	\$33,974	\$35,157	\$69,131
THREE RIVERS HOSPITAL	\$38,034	\$0	\$38,034
TRILLIUM HOSPITAL	\$10,282	\$0	\$10,282
UNITED MEMORIAL HOSPITAL	\$14,074	\$0	\$14,074
UNIVERSITY HEALTH SYSTEM	\$160,300	\$281,032	\$441,332
W. A. FOOTE MEMORIAL HOSPITAL	\$48,980	\$104,327	\$153,307
WEST BRANCH REGIONAL MEDICAL CENTER	\$13,595	\$10,568	\$24,162
WEST SHORE MEDICAL CENTER	\$14,888	\$5,984	\$20,872
WILLIAM BEAUMONT HOSPITAL - ROYAL OAK	\$51,801	\$10,310	\$62,112
WILLIAM BEAUMONT HOSPITAL - TROY	\$9,625	\$14,655	\$24,280
ZEELAND COMMUNITY HOSPITAL	\$2,042	\$2,253	\$4,294
	\$4,700,000	\$9,300,000	\$14,000,000